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San Jose must make Bio Center Incubator investment pay off

By Councilmember
Rose Herrera

As Chair of the City Council's Community and Economic Development Committee, I am focused on how to create more jobs in San Jose. This is a priority with more than 10,000 (10.5 percent) unemployed and underemployed residents in this city. It is often said that government can't create jobs. While it is true that the private sector is the job engine, government can set policies and make strategic investments that can encourage the development of new industries and new sectors that may not have occurred naturally or occurred more slowly. One such program came together in partnership with the San Jose Redevelopment Agency and San Jose State University Research Foundation (which specializes in applied research, a pathway to commercializing new products as opposed to the pure research that you might see in the U.C. system).

Back in 2004 some forward thinking people in this city saw an opportunity to diversify our job base by creating a launching pad for Life Science companies. Especially after the dot com crash there was a concern that San Jose was overweighted in IT type companies and needed to diversify. From an investment, over time, of approximately \$10 million by the Redevelopment Agency, it has been estimated that San Jose has seen an economic impact of more than \$289 million. Since that time, the incubator model has been widely accepted with companies like Plug and Play in Sunnyvale and YCombinator in Mountain View accelerating the launch of companies while mitigating risk and maximizing reward for investors. We were ahead of the curve when we launched our Bio Tech incubator in Edenvale. Our program was nationally recognized by the National Business Incubation Association as the Global Incubator of the Year 2009. The creative visionary behind its success is Melinda Richter who was enlisted to develop the San Jose incubator model. She was attracted to this challenge by the need to solve the problem of how to bring new life saving drugs to market in a more rapid economical fashion than has been done in the past. Traditionally, companies have had to spend hundreds of million dollars to bring one product to market. With this incubator program, investors can bypass spending such a large amount of money in one company and instead can invest that same amount in 10 companies! This is good for

investors, companies and our community.

These new, innovative therapies also offer a better return on investment. This is how we can encourage more scientists to take a risk to attempt to cure any number of diseases that the public would like to see addressed. The Bio-Tech/Life Sciences Industry has a longer product cycle which in turn offers longer employment opportunities. The jobs are higher paying and the presence of the incubator provides a partnership opportunity for local colleges like Evergreen Community College and San Jose State University to provide work force development courses, internships and research opportunities for students. This bio tech engine has the potential to be a game changer for Evergreen, East San Jose and South San Jose/Edenvale.

Recently there has been some criticism of San Jose's investment in the incubators in particular the Bio Center. Back in 2009, when I was new on the council, I raised the important question of 'how many jobs were created from the program and how many of these companies stayed in San Jose?' In 2009 out of 42 graduating companies, only three stayed in San Jose. Recently we now have eight of those companies continuing in San Jose. I was very concerned that we were not realizing the return on our investment. The question is why aren't these companies staying in San Jose?

The challenge for us is to find a way to offer those companies that start at the Bio Center a place to stay and grow in San Jose. Unfortunately, we have seen most of the companies that begin in the Bio Center grow out of the center and leave San Jose because there is no larger facility for them to grow into in San Jose. Bio Tech facilities are more expensive than typical R&D space. Bio Science lab science build outs typically costs between \$200-\$300 per square foot, compared to regular office space that costs between \$50-\$100 per square foot. Developers would have to take a substantial risk to develop this type of space without absolute certainty of it being occupied. With the future of San Jose's Redevelopment Agency now in doubt and with the city's ongoing fiscal issues, San Jose will no longer be able to invest in this type of program. Instead, we need to find creative public-private

partnerships to move forward.

The good news is that these companies want to stay in San Jose. We have to create the opportunity. One such success story is Tandem Sciences, a drug delivery company, who estimated that their company would need an additional 3-4 years development time in the Bio Center. They were able to reduce their development process by 50 percent by growing within the Bio Center. Tandem Sciences grew to 35 employees within one and a half years, and towards the end of this period they were adding one employee a day! With the help of Bio Center management, Tandem Sciences has negotiated an additional 30,000 sq. ft. within the first floor of the Bio Center building and plans to keep their business and employees in San Jose.

Companies see a tremendous potential in what we have developed in south San Jose. I recently met with a company who sees the potential to leverage our bio center, our Silicon Valley location, the large number of highly skilled high tech and life science workers here, and the proximity to educational institutions, to create a world-class life science and technology park. If one company can see this potential others will, if we can articulate a vision for the future, stay focused and keep our eye on the goal to create jobs.

Sometimes it takes an outsider coming in to San Jose to remind us of the obvious. When this company visited, they immediately described the resources we have as a life sciences 'super cluster'. The venture capital firms of Sandhill Road have discovered the way to south San Jose, as most of our incubator companies are venture backed, with many coming from up the peninsula to our Bio Center. We no longer need to be a town offering only IT opportunities. The future is about convergence of the sciences - biology, material science, chemistry, mathematics, engineering, physics and software. We've established a Bio Tech beachhead in South San Jose that can grow to provide thousands of good paying jobs, if we make the right decisions now. Evergreen and Edenvale, together, comprise a new innovation corridor. We must move forward, articulating a vision for the future that will accomplish our economic goals.



**District 8
Report**

By Rose Herrera
City Councilmember



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